



**ARIZONA SUPREME COURT
ORAL ARGUMENT CASE SUMMARY**



**CAVE CREEK UNIFIED SCHOOL DISTRICT v. DUCEY
and STATE OF ARIZONA, CV-13-0039-PR**

PARTIES:

Petitioners: The State of Arizona and State Treasurer Doug Ducey

Respondents: Cave Creek Unified School District; Casa Grande Elementary School District; Crane Elementary School District; Palominas Elementary School District; Yuma Union High School District; Arizona Education Association; Arizona School Boards Association; Scott Holcomb; Frank Hunter; and Nancy Putnam

Amici curiae: Arizona State Senate President Biggs and Arizona Speaker of the House of Representatives Tobin; Arizona Free Enterprise Club

FACTS:

In 2000, legislators adopted Senate Bill 1007 (“SB 1007”), proposing a sales tax increase that, among other things, provided for inflation adjustments to be made to the annual budget for Kindergarten through twelfth grade schools. Some parts required voter approval to go into effect.

The 2000 general election Publicity Pamphlet had the full text of the measure (Proposition 301), analysis by Legislative Council, and arguments for and against the measure. The Legislative Council analysis said, “If Proposition 301 passes, state general fund expenditures would be an additional \$94.5 million in 2002, increasing annually thereafter. These additional expenditures would not be paid for from the increase in the sales tax.” The measure would provide “[a]utomatic inflation adjustments in the state aid to education base level or other components of a school district’s revenue control limit.” Arizona voters approved Proposition 301, which was enacted as Arizona Revised Statutes section (“A.R.S. §”) 15-901.01.

A.R.S. § 15-901.01 says, in part:

If approved by the qualified electors voting at a statewide general election, . . . [f]or fiscal year 2006-2007 and each fiscal year thereafter, the legislature shall increase the base level **or** other components of the revenue control limit by a minimum growth rate of either two percent or the change in the GDP price deflator, as defined in § 41-563, from the second preceding calendar year to the calendar year immediately preceding the budget year, whichever is less, except that the base level shall never be reduced below the base level established for fiscal year 2001-2002. (Emphasis added)

The “revenue control limit” is a formula component used to set funding for school districts. Here it had two pieces, the base revenue control limit and the transportation revenue control limit.

For years the Legislature adjusted for inflation both the base and transportation revenue control limits. According to the Legislator Amici, in fiscal years (“FYs”) 2001 through 2003, the legislature increased the base level only, increasing both the base and transportation support levels in FY 2000-2001 and FYs 2003-2010. The FY 2010-2011 budget bill, HB 2008, had an inflation adjustment for the transportation support level component only.

Plaintiffs (Respondents in this Court) sued the State for, among other claims, declaratory judgment. They alleged first that A.R.S. § 15-901.01 falls under and violates the Voter Protection Act (“VPA”), which requires the legislature to increase for inflation every year *both* the base revenue control limit *and* other components of the revenue control limit. Second, they alleged that taking funds from the inflation adjustment to use for another purpose effectively amends the statute. Plaintiffs asked the trial court to award it judgment saying § 15-901.01 required the Legislature to adjust all revenue control limit components annually for inflation. The State opposed the request.

In moving to dismiss the case, the State conceded the inflation adjustment in § 15-901.01 “applies to the base level *and* other components of the revenue control limit.” It also conceded the statute was a VPA-protected measure, but argued that HB 2008 did not violate the VPA because it did not expressly repeal or amend § 15-901.01 or divert funds allocated for a specific purpose. The Legislators disagreed that “or” can mean “and” in the context of this statute.

The superior court granted the motion to dismiss, explaining that although the voters intended to have an annual appropriation of funds made to protect schools from the effects of inflation, § 15-901.01 is not self-executing or mandatory and therefore “the voters cannot require the legislature to enact a law that provides for that appropriation.” The court said voters could not validly order the Legislature by statute to make the appropriation to increase funding. It concluded that the failure to appropriate increases for both components did not violate the VPA. The court of appeals reversed and remanded the case (sent it back) to the superior court.

ISSUE:

Does the Voter Protection Act authorize the voters to require the legislature to increase “the base level or other components of the revenue control limit” as provided in A.R.S. § 15-901.01?

DEFINITIONS:

Amici Curiae: Latin phrase meaning “friends of the court,” people or groups who are *not* parties to a case, but either (a) will be affected indirectly by its outcome or (b) have special insight or knowledge of the topic to help the Court anticipate possible results of its decision here.

GDP price deflator, as defined in § 41-563: A measure of inflation based on the U.S. gross domestic product (GDP), the total amount of goods and services produced in a year by the entire economy of the United States.

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